

118.



Warren H. W. Lee, P.E.
President

March 27, 2007

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 05-0315 - HELCO 2006 Test Year Rate Case
Statement of Probable Entitlement

In accordance with Order No. 23315, enclosed for filing is Hawaii Electric Light Company Inc.'s ("HELCO" or "Company") Statement of Probable Entitlement. HELCO respectfully requests the Commission to order an interim rate increase of \$24,564,500 as shown on Exhibit I. Exhibit I incorporates the agreements reached between HELCO and the Division of Consumer Advocacy ("Consumer Advocate") in this proceeding through settlement discussions. As explained in HELCO RT-1, filed on March 27, 2007, HELCO and the Consumer Advocate have resolved all differences on revenue requirement issues in this proceeding. The results of operations in Exhibit I are identical to HELCO-R-2101 and are based on a 10.7% rate of return on common equity, and a write down of \$12,898,000 of gross plant in service, less \$898,000 of average accumulated depreciation for 2006, (i.e., \$12,000,000 of plant in service net of average accumulated depreciation) associated with the CT-4 and CT-5 units at the Keahole Generating Station.

The settlement between HELCO and the Consumer Advocate includes the establishment of a pension tracking mechanism proposed by the Consumer Advocate (as explained by Mr. Steven Carver in CA-T-3 and Ms. Tayne Sekimura in HELCO RT-18) and an OPEB tracking mechanism (as explained by Ms. Sekimura in HELCO RT-18). Therefore, HELCO also requests that the Commission approve (1) the adoption of the pension and OPEB tracking mechanisms in its interim decision and order in this proceeding and (2) interim rates that incorporate the test year net periodic pension costs ("NPPC") of \$2,744,000 and the test year net periodic benefit costs ("NPBC") of \$1,530,400, and amortization of the pension asset of \$2,554,000 (there is no corresponding "OPEB asset" to be amortized). With such approval, the tracking mechanisms would be adopted as of the date of the interim rate order. (See the rebuttal testimonies of Ms. Julie Price in HELCO RT-10 and Mr. Paul Fujioka in HELCO RT-9.)

PUBLIC UTILITIES
COMMISSION

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BC/RVD

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SKD

✓BKK/Consultant

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The Company's probable entitlement submission includes its proposed and an alternate calculation of probable entitlement. An alternative calculation in Exhibit II shows the impact of removing the pension amortization amount should the Commission not approve the establishment of the pension tracking mechanism in the interim decision and order. (In such case, the pension tracking mechanism would not be effective until approved in the final decision and order, along with incorporation of the annual pension asset amortization amount of \$2,554,000. Regardless of whether the Commission approves the pension tracking mechanism, the NPPC of \$2,744,000 should be included in the test year revenue requirements.) Exhibit II reflects a revenue increase of \$21,762,800. However, HELCO, requests that the pension tracking mechanism be approved in the interim decision and order.

The amount of the interim increase to which HELCO has shown "probable entitlement" should not be limited to the amount of the rate increase that is "uncontested" by Keahole Defense Coalition, Inc. ("KDC"), which is a participant in this proceeding. Instead, the Commission should also review the contested issues and add to the uncontested amounts, those amounts for which probable entitlement has been demonstrated.

The Commission has provided guidance as to what constitutes probable entitlement in its interim rate decisions. Basically, the Commission has indicated that interim relief should not be limited to the amount that is uncontested. The decision should be consistent with precedent, computational errors committed by the parties should be accounted for (which is not an issue in this case), and the Commission's scrutiny of the record for showing of probable entitlement will necessarily be quick, given the need for a speedy determination. See Interim Decision and Order No. 11559 (March 31, 1992), Docket No. 6998 (Page 7).

In this case, KDC has proposed arbitrary disallowances to the costs incurred by HELCO in installing CT-4 and CT-5 at Keahole, both of which are actually used or useful for public utility purposes, and are serving customers on the Big Island. The Commission approved HELCO's use of the Keahole site, and HELCO has thoroughly rebutted KDC's allegations. Moreover, the interim will reflect the significant write down of HELCO's Keahole investment that HELCO agreed to after intensive settlement negotiations with the Consumer Advocate.

In view of the record, HELCO should not be limited to the uncontested amount, which would limit HELCO to receiving the amount proposed by KDC. Such an approach would simply take away from the Commission and delegate to KDC the right to determine the amount of the interim increase.

The interim increase that HELCO is requesting is based on an estimate of probable entitlement that reflects the settlement reached by HELCO and the Consumer Advocate



The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
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on all issues affecting revenue requirements. Section 269-16(d) of the Hawaii Revised Statutes ("HRS") explicitly provides that the interim is subject to refund with interest. As a result, HELCO's customers are protected in the event the interim is higher than the final award. The Company is not equally protected if the interim turns out to be lower than the final award. There is no retroactive increase available to the Company under that circumstance.

Based on the above, HELCO respectfully requests that the Commission approve an interim rate increase in the amount of \$24,564,500.

Very truly yours,

x 

Warren H. W. Lee
President

Enclosures

cc: Division of Consumer Advocacy
Sawvel & Associates, Inc.
Utilitech, Inc.
Keahole Defense Coalition, Inc.



Hawaii Electric Light Company
Settlement

Results of Operations

2006

(\$ Thousands)

	Present Rates	Additional Amount	Revenue Requirements to Produce 8.33% Return on Average Rate Base
Electric Sales Revenue	323,147.7	24,393.4	347,541.1
Other Operating Revenue	925.4	171.1	1,096.5
TOTAL OPERATING REVENUES	324,073.1	24,564.5	348,637.6
Fuel	78,583.5		78,583.5
Purchased Power	117,209.7		117,209.7
Production	21,041.2		21,041.2
Transmission	2,340.7		2,340.7
Distribution	6,364.0		6,364.0
Customer Accounts	3,185.6		3,185.6
Allowance for Uncoll. Accounts	387.8	29.3	417.1
Customer Service	1,508.8		1,508.8
Administration & General	15,213.5		15,213.5
Operation and Maintenance	245,834.8	29.3	245,864.1
Depreciation & Amortization	28,772.0		28,772.0
Amortization of State ITC	(490.3)		(490.3)
Taxes Other Than Income	30,178.3	2,175.7	32,354.0
Interest on Customer Deposits	55.8		55.8
Income Taxes	3,624.2	8,700.1	12,324.3
TOTAL OPERATING EXPENSES	307,974.8	10,905.1	318,879.9
OPERATING INCOME	16,098.3	13,659.4	29,757.7
AVERAGE RATE BASE	360,408.3	(3,170.2)	357,238.1
RATE OF RETURN ON AVERAGE RATE BASE	4.47%		8.33%

Hawaii Electric Light Company

Settlement
COMPOSITE EMBEDDED COST OF CAPITAL
Estimated 2006 Average

	A	B	C	D
	Capitalization			
	Amount in Thousands	Percent of Total	Earnings Reqmts	Weighted Earnings Reqmts (B) x (C)
Short-Term Debt	49,550.0	13.24	5.00%	0.66%
Revenue Bond	117,408.0	31.37	5.92%	1.86%
Taxable Debt	0	0	6.20%	0.00%
Hybrid Securities	9,152.0	2.45	7.50%	0.18%
Preferred Stock	6,563.0	1.75	8.37%	0.15%
Common Equity	191,543.5	51.19	10.70%	5.48%
Total	374,216.5	100.00		
Estimated Composite Cost of Capital				8.33%

Hawaii Electric Light Company

Settlement
2006 AVERAGE RATE BASE
(\$ Thousands)

	Beginning Balance	End of Year Balance	Average Balance
<u>Investments in Assets Serving Customers</u>			
Net Cost of Plant in Service	439,895.0	456,696.0	448,295.5
Property Held for Future Use	129.0	129.0	129.0
Fuel Inventory	8,240.9	8,240.9	8,240.9
Materials & Supplies Inventories	3,321.6	3,376.9	3,349.3
Unamort. Net SFAS 109 Reg. Asset	10,888.0	10,655.0	10,771.5
Pension Asset	15,515.0	12,771.0	14,143.0
OPEB Amount	0	0	0
Total Investments in Assets	477,989.5	491,868.8	484,929.2
<u>Funds From Non-Investors</u>			
Unamortized CIAC	56,925.0	59,936.0	58,430.5
Customer Advances	28,597.0	31,780.0	30,188.5
Customer Deposits	920.0	941.0	930.5
Accumulated Def. Income Taxes	26,108.0	25,631.0	25,869.5
Unamortized ITC	11,246.5	11,877.2	11,561.9
Total Deductions	123,796.5	130,165.2	126,980.9
Difference			357,948.3
Working Cash at Present Rates			2,460.0
Rate Base at Present Rates			360,408.3
Change in Rate Base - Working Cash			(3,170.2)
Rate Base at Proposed Rates			357,238.1

Hawaii Electric Light Company

Settlement
WORKING CASH ITEMS
2006
(\$ Thousands)

	A	B	C	D
	COLLECTION	PAYMENT	NET	
	LAG	LAG	COLLECTION	ANNUAL
	(DAYS)	(DAYS)	LAG	AMOUNT
			(DAYS)	
			(A - B)	
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	38	16	22	78,090.7
O&M Labor	38	12	26	19,199.0
Purchased Power	38	37	1	117,209.7
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	38	39	(1)	32,389.6
Revenue Taxes	38	74	(36)	28,736.3
Income Taxes-Present Rates	38	162	(124)	2,980.2
Income Taxes-Proposed Rates	38	162	(124)	11,680.3
	E	F	G	H
	AVERAGE	WORKING	AVERAGE	WORKING
	DAILY	CASH	DAILY	CASH
	AMOUNT	(PRESENT	AMOUNT	(PROPOSED
	(D/365)	RATES)	(PROPOSED)	RATES)
		(C X E)		(C X G)
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	213.9	4,706.8	213.9	4,706.8
O&M Labor	52.6	1,367.6	52.6	1,367.6
Purchased Power	321.1	321.1	321.1	321.1
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	88.7	(88.7)	88.7	(88.7)
Revenue Taxes	78.7	(2,834.3)	84.7	(3,048.9)
Income Taxes-Present Rates	8.2	(1,012.5)		
Income Taxes-Proposed Rates	32.0	-	32.0	(3,968.1)
Total		2,460.0		(710.2)
Change in Working Cash				(3,170.2)

Hawaii Electric Light Company

Settlement
COMPUTATION OF INCOME TAX EXPENSE
2006
(\$ Thousands)

	Present Rates	Adjustment	At Proposed Rates
Operating Revenues	324,073.1	24,564.5	348,637.6
Operating Expenses:			
Fuel Oil and Purchased Power	195,793.2		195,793.2
Other Operation & Maintenance Expense	50,041.6	29.3	50,070.9
Depreciation	28,772.0		28,772.0
Amortization of State ITC	(490.3)		(490.3)
Taxes Other than Income	30,178.3	2,175.7	32,354.0
Interest on Customer Deposits	55.8		55.8
Total Operating Expenses	304,350.6	2,205.0	306,555.6
Operating Income Before Income Taxes	19,722.5	22,359.5	42,082.0
Tax Adjustments:			
Interest Expense	(10,021.0)		(10,021.0)
Meals and Entertainment	24.0		24.0
	(9,997.0)	0.0	(9,997.0)
Taxable Income at Ordinary Rates	9,725.5	22,359.5	32,085.0
Income Tax Exp at Ordinary Rates	3,784.2	8,700.0	12,484.2
Tax Benefit of Domestic Production Activities Deduction	(160.0)		(160.0)
TOTAL INCOME TAX EXPENSE	3,624.2	8,700.0	12,324.2

Hawaii Electric Light Company

Settlement
COMPUTATION OF TAXES OTHER THAN INCOME TAX
2006
(\$ Thousands)

	<u>Rate</u>	<u>At Present Rates</u>	<u>Adjustment</u>	<u>At Proposed Rates</u>
Electric Sales Revenue		323,147.7	24,393.4	347,541.1
Other Operating Revenue		925.4	171.1	1,096.5
Operating Revenues		<u>324,073.1</u>	<u>24,564.5</u>	<u>348,637.6</u>
Public Service Tax	5.885%	19,048.9	1,443.9	20,492.8
PUC Fees	0.500%	1,618.4	122.7	1,741.1
Franchise Tax	2.500%	8,069.0	609.1	8,678.1
Payroll Tax		<u>1,442.0</u>		<u>1,442.0</u>
TOTAL TAXES OTHER THAN INCOME TAX		<u>30,178.3</u>	<u>2,175.7</u>	<u>32,354.0</u>

Hawaii Electric Light Company

Settlement
CALCULATIONS OF REVENUE REQUIREMENTS
2006
(\$ Thousands)

OPERATING INCOME AT PRESENT RATES:

Operating Revenues	324,073.1
Fuel and Purchased Power Expenses	195,793.2
Other O&M Expenses	50,041.6
Depreciation & Amortization Expense	28,772.0
Amortization of State ITC	(490.3)
Taxes Other than Income	30,178.3
Interest on Customer Deposits	55.8
Income Taxes	3,624.2
Total Operating Expenses	307,974.8
OPERATING INCOME AT PRESENT RATES	16,098.4

CALCULATIONS OF REVENUE REQUIREMENTS:

OPERATING INCOME		
Rate Base at Proposed Rates		357,238
Proposed Rate of Return on Rate Base	x	8.33%
Operating Income		29,757.9
Less: Operating Income at Present Rates		16,098.4
INCREASE IN OPERATING INCOME		13,659.5

OPERATING REVENUES:

Increase in Operating Income		13,659.5
Operating Income Divisor	(divided by)	0.55607
INCREASE IN OPERATING REVENUES		24,564.5
Increase in Electric Sales Revenue		24,393.4
Other Operating Revenue Rate	x	0.702%
Increase in Other Operating Revenues		171.1
		24,564.5

Hawaii Electric Light Company

Settlement
CALCULATIONS OF REVENUE REQUIREMENTS
2006
(\$ Thousands)

BAD DEBT:

Increase in Electric Revenues		24,393.4
Bad Debt Rate	x	0.0012
INCREASE IN BAD DEBT EXPENSE		<u>29.3</u>

REVENUE TAX:

Increase in Operating Revenues		24,564.5
Less: Increase in Bad Debt Expense		(29.3)
		<u>24,535</u>
PSC Tax & PUC Fees Rate	x	6.385%
		<u>1,566.6</u>
Increase in Electric Revenues		24,393.4
Less: Increase in Bad Debt Expense		(29.3)
		<u>24,364.1</u>
Franchise Tax Rate	x	2.500%
		<u>609.1</u>
INCREASE IN REVENUE TAX		<u>2,175.7</u>

INCOME TAX:

Increase in Operating Revenues		24,565
Effective Income Tax Rate after considering revenue tax & bad debt	x	35.417%
INCREASE IN INCOME TAX		<u>8,700.1</u>
INCREASE IN OPERATING INCOME (check)		<u>13,659.4</u>

Hawaii Electric Light Company

Settlement
CALCULATIONS OF REVENUE REQUIREMENTS
2006
(\$ Thousands)

CHANGE IN RATE BASE:

	A	B	C	D
	EXPENSE	AVERAGE	NET	WORKING
	AMOUNT	DAILY	COLLECTION	CASH
		AMOUNT	LAG (DAYS)	REQMT
		(A/365)		(B)x(C)
Increase in Revenue Tax	2,175.7	6.0	(36)	(214.6)
Income Tax at present rates	2,980.2	8.2	(124)	1,012.5
Income Tax at proposed rate	11,680.3	32.0	(124)	(3,968.1)
CHANGE IN RATE BASE - WORKING CASH				(3,170.2)
Rate Base at Present Rates				360,408.3
PROPOSED RATE BASE				357,238.1
Operating Income at Present Rates				16,098.4
Increase in Operating Income				13,659.5
OPERATING INCOME AT PROPOSED RATES				29,757.9
PROPOSED RATE OF RETURN ON RATE BASE (check)				8.33%

Hawaii Electric Light Company

Settlement
SUPPORT WORKSHEET
2006

OPERATING REVENUES:	
Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4
TOTAL OPERATING REVENUES	<u>324,073.1</u>
FUEL OIL AND PURCHASE POWER EXPENSES:	
Fuel Oil Expense	78,090.7
Fuel-Related Expense	492.8
Fuel Oil Expense	<u>78,583.5</u>
Purchased Power Expense	117,209.7
TOTAL FUEL OIL AND PURCHASE POWER EXPENSES	<u>195,793.2</u>
OTHER OPERATION & MAINTENANCE EXPENSES:	
Production	21,041.2
Transmission	2,340.7
Distribution	6,364.0
Customer Account	3,185.6
Allowance for Uncollectible Accounts	387.8
Customer Service	1,508.8
Administration & General	<u>15,213.5</u>
TOTAL OTHER OPERATION & MAINTENANCE EXPENSES	<u>50,041.6</u>

Hawaii Electric Light Company

Settlement
SUPPORT WORKSHEET
2006

TOTAL FUEL OIL & PP AND OTH O&M EXPENSES (LABOR/NONLABOR)	
Fuel Oil Expense	78,090.7
Purchase Power Expense	117,209.7
Total Labor Expense	
Labor Expense	19,199.0
Total Labor Expense	<u>19,199.0</u>
Total Nonlabor Expense	
Nonlabor Expense	30,842.6
Fuel Related Expense	492.8
Payroll Taxes	1,442.0
Bad Debt Expense	(387.8)
	<u>32,389.6</u>
TOTAL FUEL OIL & PP, OTH O&M AND PR TAX EXPENSES	<u>246,889.0</u>
REVENUE TAX	
Public Service Tax	
Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4
Less: Bad Debt Expense	(387.8)
Operating Revenues subject to PSC Tax	323,685.4
Public Service Tax Rate	x 5.885%
Total PSC Tax	<u>19,048.9</u>
PUC Fees	
Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4
Less: Bad Debt Expense	(387.8)
Operating Revenues subject to PSC Tax	323,685.4
PUC Tax Rate	x 0.500%
Total PUC Tax	<u>1,618.4</u>

Hawaii Electric Light Company

Settlement
SUPPORT WORKSHEET
2006

Franchise Tax	
Electric Sales Revenues	323,147.7
Less: Bad Debt Expense	(387.8)
	<u>322,759.9</u>
Franchise Tax Rate	x 2.500%
Total Franchise Tax	<u>8,069.0</u>
TOTAL REVENUE TAX	<u>28,736.3</u>
INTEREST EXPENSE:	
Interest Charged to Operations	10,111.0
AFUDC Debt	(90.0)
TOTAL INTEREST EXPENSE	<u>10,021.0</u>
INCOME TAX EXPENSE SUMMARY	
Current	2,980.2
Deferred	(477.0)
State ITC	<u>1,121.0</u>
TOTAL INCOME TAX EXPENSE	<u>3,624.2</u>
CALCULATIONS OF REVENUE TAX RATE:	
Franchise Tax Rate adjusted for Change in Oth Oper	
Revenues and Bad Debt	0.02479
PSC Tax Rate adjusted for Bad Debt	0.05878
PUC Tax Rate adjusted for Bad Debt	<u>0.00499</u>
REVENUE TAX RATE	<u>0.08857</u>
CALCULATIONS OF COMPOSITE INCOME TAX RATE:	
State Tax Rate	0.06015
Federal Tax Rate	0.35000
State Tax Rate	0.06015
Federal Tax Rate	x <u>0.35000</u>
Federal Tax Effect on State Tax	<u>(0.02105)</u>
COMPOSITE INCOME TAX RATE	<u>0.38910</u>

Hawaii Electric Light Company

Settlement
SUPPORT WORKSHEET
2006

CALCULATIONS OF COMPOSITE CAPITAL GAINS TAX RATE:

State Capital Gains Tax Rate	0.03759
Federal Tax Rate	0.35000

State Capital Gains Tax Rate	0.03759
Federal Tax Rate	x 0.35000

Federal Tax Effect on State Capital Gains Tax Rate	(0.01316)
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COMPOSITE CAPITAL GAINS TAX RATE	<u>0.37444</u>
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CALCULATIONS OF EFFECTIVE INCOME TAX RATE:

PSC Tax & PUC Fees Rates adjusted for Bad Debt	0.06377
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Franchise Tax adjusted for Change in Oth Oper Rev and Bad Debt	0.02479
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Bad Debt Rate adjusted for Change in Oth Oper Rev	<u>0.00119</u>
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Revenue Tax and Bad Debt rate	0.08976
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Rev Tax & Bad Debt Reciprocal (1 - 0.08976)	0.91024
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Composite Income Tax Rate	x <u>0.38910</u>
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EFFECTIVE INCOME TAX RATE AFTER CONSIDERING REVENUE TAX & BAD DEBT	<u>0.35417</u>
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CALCULATIONS OF OPERATING INCOME DIVISOR:

PSC Tax & PUC Fees Rates adjusted for Bad Debt	0.06377
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Franchise Tax adjusted for Change in Oth Oper Rev	0.02479
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Bad Debt Rate adjusted for Change in Oth Oper Rev	0.00119
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Effective Income Tax Rate after considering revenue tax & bad debt	<u>0.35417</u>
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<u>0.44393</u>

OPERATING INCOME DIVISOR (1 - 0.44393)	<u>0.55607</u>
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Hawaii Electric Light Company
Settlement without Pension Amortization
Results of Operations

2006
(\$ Thousands)

Revenue
Requirements
to Produce
8.33%
Return on
Average
Rate Base

	Present Rates	Additional Amount	
Electric Sales Revenue	323,147.7	21,596.4	344,744.1
Other Operating Revenue	925.4	166.4	1,091.8
TOTAL OPERATING REVENUES	324,073.1	21,762.8	345,835.9
Fuel	78,583.5		78,583.5
Purchased Power	117,209.7		117,209.7
Production	21,041.2		21,041.2
Transmission	2,340.7		2,340.7
Distribution	6,364.0		6,364.0
Customer Accounts	3,185.6		3,185.6
Allowance for Uncoll. Accounts	387.8	25.9	413.7
Customer Service	1,508.8		1,508.8
Administration & General	12,659.5		12,659.5
Operation and Maintenance	243,280.8	25.9	243,306.7
Depreciation & Amortization	28,772.0		28,772.0
Amortization of State ITC	(490.3)		(490.3)
Taxes Other Than Income	30,178.3	1,927.2	32,105.5
Interest on Customer Deposits	55.8		55.8
Income Taxes	4,617.9	7,707.9	12,325.8
TOTAL OPERATING EXPENSES	306,414.5	9,661.0	316,075.5
OPERATING INCOME	17,658.6	12,101.8	29,760.4
AVERAGE RATE BASE	360,077.8	(2,808.7)	357,269.1
RATE OF RETURN ON AVERAGE RATE BASE	4.90%		8.33%

Hawaii Electric Light Company

Settlement without Pension Amortization
COMPOSITE EMBEDDED COST OF CAPITAL
Estimated 2006 Average

	A	B	C	D
	<u>Capitalization</u>			
	<u>Amount in Thousands</u>	<u>Percent of Total</u>	<u>Earnings Reqmts</u>	<u>Weighted Earnings Reqmts (B) x (C)</u>
Short-Term Debt	49,550.0	13.24	5.00%	0.66%
Revenue Bond	117,408.0	31.37	5.92%	1.86%
Taxable Debt	0	0	6.20%	0.00%
Hybrid Securities	9,152.0	2.45	7.50%	0.18%
Preferred Stock	6,563.0	1.75	8.37%	0.15%
Common Equity	<u>191,543.5</u>	<u>51.19</u>	<u>10.70%</u>	<u>5.48%</u>
Total	374,216.5	100.00		
Estimated Composite Cost of Capital				8.33%

Hawaii Electric Light Company

Settlement without Pension Amortization
2006 AVERAGE RATE BASE
(\$ Thousands)

	Beginning Balance	End of Year Balance	Average Balance
<u>Investments in Assets Serving Customers</u>			
Net Cost of Plant in Service	439,895.0	456,696.0	448,295.5
Property Held for Future Use	129.0	129.0	129.0
Fuel Inventory	8,240.9	8,240.9	8,240.9
Materials & Supplies Inventories	3,321.6	3,376.9	3,349.3
Unamort. Net SFAS 109 Reg. Asset	10,888.0	10,655.0	10,771.5
Pension Asset	15,515.0	12,771.0	14,143.0
OPEB Amount	0	0	0
Total Investments in Assets	477,989.5	491,868.8	484,929.2
<u>Funds From Non-Investors</u>			
Unamortized CIAC	56,925.0	59,936.0	58,430.5
Customer Advances	28,597.0	31,780.0	30,188.5
Customer Deposits	920.0	941.0	930.5
Accumulated Def. Income Taxes	26,108.0	25,631.0	25,869.5
Unamortized ITC	11,246.5	11,877.2	11,561.9
Total Deductions	123,796.5	130,165.2	126,980.9
Difference			357,948.3
Working Cash at Present Rates			2,129.5
Rate Base at Present Rates			360,077.8
Change in Rate Base - Working Cash			(2,808.7)
Rate Base at Proposed Rates			357,269.1

Hawaii Electric Light Company

Settlement without Pension Amortization

WORKING CASH ITEMS

2006

(\$ Thousands)

	A	B	C	D
	COLLECTION	PAYMENT	NET	
	LAG	LAG	COLLECTION	ANNUAL
	(DAYS)	(DAYS)	LAG	AMOUNT
			(DAYS)	
			(A - B)	
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	38	16	22	78,090.7
O&M Labor	38	12	26	19,199.0
Purchased Power	38	37	1	117,209.7
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	38	39	(1)	29,835.6
Revenue Taxes	38	74	(36)	28,736.3
Income Taxes-Present Rates	38	162	(124)	3,973.9
Income Taxes-Proposed Rates	38	162	(124)	11,681.8
	E	F	G	H
	AVERAGE	WORKING	AVERAGE	WORKING
	DAILY	CASH	DAILY	CASH
	AMOUNT	(PRESENT	AMOUNT	(PROPOSED
	(D/365)	RATES)	(PROPOSED)	RATES)
		(C X E)		(C X G)
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	213.9	4,706.8	213.9	4,706.8
O&M Labor	52.6	1,367.6	52.6	1,367.6
Purchased Power	321.1	321.1	321.1	321.1
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	81.7	(81.7)	81.7	(81.7)
Revenue Taxes	78.7	(2,834.3)	84.0	(3,024.3)
Income Taxes-Present Rates	10.9	(1,350.0)		
Income Taxes-Proposed Rates	32.0	-	32.0	(3,968.6)
Total		2,129.5		(679.1)
Change in Working Cash				(2,808.6)

Hawaii Electric Light Company

Settlement without Pension Amortization
COMPUTATION OF INCOME TAX EXPENSE

2006

(\$ Thousands)

	Present Rates	Adjustment	At Proposed Rates
Operating Revenues	324,073.1	21,762.8	345,835.9
Operating Expenses:			
Fuel Oil and Purchased Power	195,793.2		195,793.2
Other Operation & Maintenance Expense	47,487.6	25.9	47,513.5
Depreciation	28,772.0		28,772.0
Amortization of State ITC	(490.3)		(490.3)
Taxes Other than Income	30,178.3	1,927.2	32,105.5
Interest on Customer Deposits	55.8		55.8
Total Operating Expenses	301,796.6	1,953.1	303,749.7
Operating Income Before Income Taxes	22,276.5	19,809.7	42,086.2
Tax Adjustments:			
Interest Expense	(10,021.0)		(10,021.0)
Meals and Entertainment	24.0		24.0
	(9,997.0)	0.0	(9,997.0)
Taxable Income at Ordinary Rates	12,279.5	19,809.7	32,089.2
Income Tax Exp at Ordinary Rates	4,777.9	7,707.9	12,485.8
Tax Benefit of Domestic Production Activities Deduction	(160.0)		(160.0)
TOTAL INCOME TAX EXPENSE	4,617.9	7,707.9	12,325.8

Hawaii Electric Light Company

Settlement without Pension Amortization
COMPUTATION OF TAXES OTHER THAN INCOME TAX
2006
(\$ Thousands)

	Rate	At Present Rates	Adjustment	At Proposed Rates
Electric Sales Revenue		323,147.7	21,596.4	344,744.1
Other Operating Revenue		925.4	166.4	1,091.8
Operating Revenues		324,073.1	21,762.8	345,835.9
Public Service Tax	5.885%	19,048.9	1,279.2	20,328.1
PUC Fees	0.500%	1,618.4	108.7	1,727.1
Franchise Tax	2.500%	8,069.0	539.3	8,608.3
Payroll Tax		1,442.0		1,442.0
TOTAL TAXES OTHER THAN INCOME TAX		30,178.3	1,927.2	32,105.5

Hawaii Electric Light Company

Settlement without Pension Amortization
CALCULATIONS OF REVENUE REQUIREMENTS
2006
(\$ Thousands)

OPERATING INCOME AT PRESENT RATES:

Operating Revenues	324,073.1
Fuel and Purchased Power Expenses	195,793.2
Other O&M Expenses	47,487.6
Depreciation & Amortization Expense	28,772.0
Amortization of State ITC	(490.3)
Taxes Other than Income	30,178.3
Interest on Customer Deposits	55.8
Income Taxes	4,617.9
Total Operating Expenses	306,414.5
OPERATING INCOME AT PRESENT RATES	17,658.7

CALCULATIONS OF REVENUE REQUIREMENTS:

OPERATING INCOME

Rate Base at Proposed Rates	357,269
Proposed Rate of Return on Rate Base	x 8.33%
Operating Income	29,760.5
Less: Operating Income at Present Rates	17,658.7
INCREASE IN OPERATING INCOME	12,101.8

OPERATING REVENUES:

Increase in Operating Income	12,101.8
Operating Income Divisor (divided by)	0.55608
INCREASE IN OPERATING REVENUES	21,762.8
Increase in Electric Sales Revenue	21,596.4
Other Operating Revenue Rate	x 0.771%
Increase in Other Operating Revenues	166.4
	21,762.8

Hawaii Electric Light Company

Settlement without Pension Amortization
CALCULATIONS OF REVENUE REQUIREMENTS

2006

(\$ Thousands)

BAD DEBT:

Increase in Electric Revenues		21,596.4
Bad Debt Rate	x	0.0012
		<hr/>
INCREASE IN BAD DEBT EXPENSE		25.9
		<hr/>

REVENUE TAX:

Increase in Operating Revenues		21,762.8
Less: Increase in Bad Debt Expense		(25.9)
		<hr/>
		21,737
PSC Tax & PUC Fees Rate	x	6.385%
		<hr/>
		1,387.9
		<hr/>
Increase in Electric Revenues		21,596.4
Less: Increase in Bad Debt Expense		(25.9)
		<hr/>
		21,570.5
Franchise Tax Rate	x	2.500%
		<hr/>
		539.3
		<hr/>
INCREASE IN REVENUE TAX		1,927.2
		<hr/>

INCOME TAX:

Increase in Operating Revenues		21,763
Effective Income Tax Rate after considering revenue tax & bad debt	x	35.418%
		<hr/>
INCREASE IN INCOME TAX		7,707.9
		<hr/>
INCREASE IN OPERATING INCOME (check)		12,101.8
		<hr/>

Hawaii Electric Light Company

Settlement without Pension Amortization
CALCULATIONS OF REVENUE REQUIREMENTS
2006
(\$ Thousands)

CHANGE IN RATE BASE:

	A	B	C	D
	EXPENSE	AVERAGE	NET	WORKING
	AMOUNT	DAILY	COLLECTION	CASH
		AMOUNT	LAG (DAYS)	REQMT
		(A/365)		(B)x(C)
Increase in Revenue Tax	1,927.2	5.3	(36)	(190.1)
Income Tax at present rates	3,973.9	10.9	(124)	1,350.0
Income Tax at proposed rate	11,681.8	32.0	(124)	(3,968.6)
CHANGE IN RATE BASE - WORKING CASH				(2,808.7)
Rate Base at Present Rates				360,077.8
PROPOSED RATE BASE				357,269.1
Operating Income at Present Rates				17,658.7
Increase in Operating Income				12,101.8
OPERATING INCOME AT PROPOSED RATES				29,760.5
PROPOSED RATE OF RETURN ON RATE BASE (check)				8.33%

Hawaii Electric Light Company

Settlement without Pension Amortization
SUPPORT WORKSHEET
2006

OPERATING REVENUES:

Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4

TOTAL OPERATING REVENUES	<u>324,073.1</u>
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FUEL OIL AND PURCHASE POWER EXPENSES:

Fuel Oil Expense	78,090.7
Fuel-Related Expense	492.8

Fuel Oil Expense	<u>78,583.5</u>
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Purchased Power Expense	<u>117,209.7</u>
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TOTAL FUEL OIL AND PURCHASE POWER EXPENSES	<u>195,793.2</u>
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OTHER OPERATION & MAINTENANCE EXPENSES:

Production	21,041.2
Transmission	2,340.7
Distribution	6,364.0
Customer Account	3,185.6
Allowance for Uncollectible Accounts	387.8
Customer Service	1,508.8
Administration & General	<u>12,659.5</u>

TOTAL OTHER OPERATION & MAINTENANCE EXPENSES	<u>47,487.6</u>
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Hawaii Electric Light Company

Settlement without Pension Amortization
SUPPORT WORKSHEET

2006

TOTAL FUEL OIL & PP AND OTH O&M EXPENSES (LABOR/NONLABOR)	
Fuel Oil Expense	78,090.7
Purchase Power Expense	117,209.7
Total Labor Expense	
Labor Expense	19,199.0
Total Labor Expense	<u>19,199.0</u>
Total Nonlabor Expense	
Nonlabor Expense	28,288.6
Fuel Related Expense	492.8
Payroll Taxes	1,442.0
Bad Debt Expense	(387.8)
	<u>29,835.6</u>
TOTAL FUEL OIL & PP, OTH O&M AND PR TAX EXPENSES	<u>244,335.0</u>
REVENUE TAX	
Public Service Tax	
Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4
Less: Bad Debt Expense	(387.8)
Operating Revenues subject to PSC Tax	323,685.4
Public Service Tax Rate	x 5.885%
Total PSC Tax	<u>19,048.9</u>
PUC Fees	
Electric Sales Revenues	323,147.7
Other Operating Revenues	925.4
Less: Bad Debt Expense	(387.8)
Operating Revenues subject to PSC Tax	323,685.4
PUC Tax Rate	x 0.500%
Total PUC Tax	<u>1,618.4</u>

Hawaii Electric Light Company

Settlement without Pension Amortization
SUPPORT WORKSHEET
2006

Franchise Tax		
Electric Sales Revenues		323,147.7
Less: Bad Debt Expense		(387.8)
		<u>322,759.9</u>
Franchise Tax Rate	x	<u>2.500%</u>
Total Franchise Tax		<u>8,069.0</u>
TOTAL REVENUE TAX		<u>28,736.3</u>
INTEREST EXPENSE:		
Interest Charged to Operations		10,111.0
AFUDC Debt		(90.0)
		<u>10,021.0</u>
TOTAL INTEREST EXPENSE		<u>10,021.0</u>
INCOME TAX EXPENSE SUMMARY		
Current		3,973.9
Deferred		(477.0)
State ITC		<u>1,121.0</u>
TOTAL INCOME TAX EXPENSE		<u>4,617.9</u>
CALCULATIONS OF REVENUE TAX RATE:		
Franchise Tax Rate adjusted for Change in Oth Oper		
Revenues and Bad Debt		0.02478
PSC Tax Rate adjusted for Bad Debt		0.05878
PUC Tax Rate adjusted for Bad Debt		<u>0.00499</u>
REVENUE TAX RATE		<u>0.08855</u>
CALCULATIONS OF COMPOSITE INCOME TAX RATE:		
State Tax Rate		0.06015
Federal Tax Rate		0.35000
State Tax Rate		0.06015
Federal Tax Rate	x	<u>0.35000</u>
Federal Tax Effect on State Tax		<u>(0.02105)</u>
COMPOSITE INCOME TAX RATE		<u>0.38910</u>

Hawaii Electric Light Company

Settlement without Pension Amortization
SUPPORT WORKSHEET
2006

CALCULATIONS OF COMPOSITE CAPITAL GAINS TAX RATE:		
State Capital Gains Tax Rate		0.03759
Federal Tax Rate		0.35000
State Capital Gains Tax Rate		0.03759
Federal Tax Rate	x	0.35000
Federal Tax Effect on State Capital Gains Tax Rate		(0.01316)
COMPOSITE CAPITAL GAINS TAX RATE		<u>0.37444</u>
CALCULATIONS OF EFFECTIVE INCOME TAX RATE:		
PSC Tax & PUC Fees Rates adjusted for Bad Debt		0.06377
Franchise Tax adjusted for Change in Oth Oper Rev and Bad Debt		0.02478
Bad Debt Rate adjusted for Change in Oth Oper Rev		<u>0.00119</u>
Revenue Tax and Bad Debt rate		0.08974
Rev Tax & Bad Debt Reciprocal (1 - 0.08974)		0.91026
Composite Income Tax Rate	x	<u>0.38910</u>
EFFECTIVE INCOME TAX RATE AFTER CONSIDERING REVENUE TAX & BAD DEBT		<u>0.35418</u>
CALCULATIONS OF OPERATING INCOME DIVISOR:		
PSC Tax & PUC Fees Rates adjusted for Bad Debt		0.06377
Franchise Tax adjusted for Change in Oth Oper Rev		0.02478
Bad Debt Rate adjusted for Change in Oth Oper Rev		0.00119
Effective Income Tax Rate after considering revenue tax & bad debt		<u>0.35418</u>
		<u>0.44392</u>
OPERATING INCOME DIVISOR (1 - 0.44392)		<u>0.55608</u>

CERTIFICATE OF SERVICE

I hereby certify that on March 27, 2007, I served copies of the foregoing Statement of Probable Entitlement, together with this Certificate of Service, by personal service, hand-delivery, or United States mail, postage prepaid, to the following, at the following addresses:

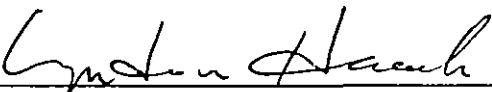
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Kailua-Kona, HI 96740-7301

DATED: Honolulu, Hawaii, March 27, 2007.


Lyndon Haack